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**CITY OF SAN BUENAVENTURA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2008**

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3/27/09



**CITY OF SAN BUENAVENTURA**  
**Single Audit Report**  
**June 30, 2008**

*Table of Contents*

	<i>Page(s)</i>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	1
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133.....	3
Schedule of Expenditures of Federal Awards .....	5
Notes to the Schedule of Expenditures of Federal Awards .....	7
Schedule of Findings and Questioned Costs.....	8
Summary Schedule of Prior Audit Findings .....	11





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OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Honorable City Council of  
the City of San Buenaventura, California

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Buenaventura, California (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 13, 2009. Our report contained an explanatory paragraph discussing the City's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – An amendment of GASB Statements No. 25 and 27*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 08-01 and 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City in a separate letter date March 13, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of finds and questioned costs. We did not audit the City's responses and, according, we express no opinion on them.

This report is intended solely for the information of the City Council, management and others within the City and the City's federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Jini & O'Connell LLP*

Certified Public Accountants  
Newport Beach, California

March 13, 2009



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The Honorable City Council  
of the City of San Buenaventura, California

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program, Internal Control Over  
Compliance and on the Schedule of Expenditures of Federal  
Awards in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the City of San Buenaventura (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of San Buenaventura is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal

control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2008, and have issued our report thereon dated March 13, 2009. Our report contained an explanatory paragraph discussing the City's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – An amendment of GASB Statements No. 25 and 27*. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management and others within the City, and the City's federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Jini & O'Connell LLP*

Certified Public Accountants  
Newport Beach, California

March 13, 2009



**CITY OF SAN BUENAVENTURA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
U.S. Department of Transportation			
Passed through the State of California			
Department of Transportation:			
Highway Planning and Construction			
Surfers Point Bike Path Restoration	20.205	STPLE-5026(020)	\$ 258,273
Landscaping Improvements, HWY 126	20.205	07-4798	406,407
Figueroa Street Pedestrian Improvements	20.205	07-4768	346,890
Victoria/Olivas Park Intersection	20.205	STPL-5026(034)	107,325
Market Street between Telephone and Valentine	20.205	STPL-5026(040)	898,722
Seaward Avenue/Harbor Boulevard	20.205	STPL-5026(039)	119,275
Program Total	20.205		<u>2,136,892</u>
Passed through the State of California			
Office of Traffic Safety:			
State and Community Highway Safety			
DUI Enforcement and Awareness	20.600	ALO739	163,112
Click or Ticket	20.600	CT08488	8,561
Program Total	20.600		<u>171,673</u>
Total U.S. Department of Transportation			<u>2,308,565</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grants/ Entitlement Grants	14.218	B-06-MC-06-0536	519,515
Community Development Block Grants/ Entitlement Grants	14.218	Program Income	223,711
Program Total	14.218		<u>743,226</u>
HOME Investment Partnerships Program	14.239	M-05-MC-06-0564	345,001
HOME Investment Partnerships Program	14.239	M-06-MC-06-0564	236,145
HOME Investment Partnerships Program	14.239	M-07-MC-06-0564	13,204
Program Total	14.239		<u>594,350</u>
Total U.S. Department of Housing and Urban Development			<u>1,337,576</u>
U.S. Department of Homeland Security			
Passed through the State of California			
Office of Emergency Services:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1577-DR-CA	392,479

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

(Continued)

**CITY OF SAN BUENAVENTURA**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2008**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
Passed through the County of Ventura:			
Homeland Security Grant Program	97.067	2006-0071	9,805
Emergency Management Performance Grants	97.042	2007 EM-E7-0006R6	13,663
Cluster Total	97.067/ 97.042		23,468
Total U.S. Department of Homeland Security			415,947
U.S. Department of Justice			
Direct Program:			
Bulletproof Vest Partnership Program	16.607		2,854
Bryne Formula Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0404	28,982
Passed through the County of Ventura:			
Bryne Formula Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-1574	28,236
Program Total	16.738		57,218
Federal Equity Sharing Funds	16.UNKNOWN	CA0560800	26,009
Passed through the State of California			
Office of Emergency Services:			
Anti Gang Initiative	16.744	AG07 01 8584	11,386
Total U.S. Department of Justice			97,467
U.S. Department of Health and Human Services			
Passed through the County of Ventura:			
Special Programs for the Aging - Title			
III, Part C - Nutrition Services	93.045	3C-007-070712-R3	72,556
Special Programs for the Aging - Title			
III, Part C - Nutrition Services	93.045	Program Income	33,076
Program Total	93.045		105,632
Total U.S. Department of Health and Human Services			105,632
Total Federal Expenditures			\$ 4,265,187

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SAN BUENAVENTURA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

**(1) REPORTING ENTITY**

The financial reporting entity, as defined by GASB Codification, consists of the primary government, City of San Buenaventura (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

The City of San Buenaventura Redevelopment Agency  
The San Buenaventura Public Financing Authority

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Basis of Accounting***

Funds received under the various grant programs are recorded within special revenue, capital projects and enterprise funds of the City. The City utilizes the modified accrual method of accounting for special revenue and capital projects funds. The City utilizes accrual method of accounting for enterprise funds. The accompanying schedule of Expenditures of Federal Awards has been prepared accordingly.

***(b) Schedule of Expenditures of Federal Awards***

The Schedule of Expenditures of Federal Awards presented is prepared from only the accounts of the grant programs and, therefore, does not present the financial position or results of operations of the City of San Buenaventura.

**(3) SUBRECIPIENTS**

Expenditures by subrecipients totaled \$33,000 for HOME Investment Partnerships Program (CFDA No. 14.239) and \$569,077 for Community Development Block Grants/ Entitlement Grants (CFDA No. 14.218).

**(4) LOANS RECEIVABLE**

Loans from the U.S. Department of Housing and Urban Development funds in the amount of \$2,639,284 are outstanding at June 30, 2008. New loans in the amount of \$738,010 were issued in fiscal year 2007/2008.

**CITY OF SAN BUENAVENTURA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2008**

**Section I - Summary of Auditor's Results**

***A. Financial Statements:***

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued:  | Unqualified |
| 2. Internal control over financial reporting:  |             |
| a. Material Weakness(es) identified?   | No          |
| b. Significant deficiency(ies) identified not<br>considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to financial<br>statements noted?                            | No          |

***B. Federal Awards:***

- |  |               |
|--|---------------|
| 1. Internal control over major programs:   |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified not<br>considered to be material weakness?                                   | None reported |
| 2. Type of auditor's report issued on<br>compliance for major programs:  | Unqualified   |
| 3. Any audit findings disclosed that are<br>required to be reported in accordance<br>with Circular A-133, Section 510? | No            |

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/ Entitlement Grants
14.239	HOME Investment Partnerships Program

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish<br>between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee?                                    | Yes       |

**CITY OF SAN BUENAVENTURA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2008**

**Section II - Financial Statement Findings**

**Finding 08-01 Community Development Project Involving the Sale of Property Held for Resale and Related to Loans/Notes Receivable and Payable**

**Comment:**

A project approved by the City Council as the governing board of the RDA in January 2008, involved the sale of land held for resale and the execution of loan agreements for loans receivable from the project developer and loans payable to the State of California and the City of San Buenaventura. The original transactions were recorded based primarily on unwritten statements from the City Community Development Department.

A review the documents, which were provided to the Finance Department in a piecemeal fashion through December 2008, indicated that the activity recorded in relation to the identity and value of the land sold and the various funding sources and uses in relation to the loan agreements were different than the activity that had been reported to the accounting staff and then recorded.

The number of discrepancies and the timing of discovery because of the piecemeal fashion, resulted in the City having to 1) make several adjustments to the general ledger, and 2) prepare multiple revised drafts of City financial statements.

**Recommendation:**

On an ongoing basis, City staff should inform the accounting division of important transactions as they occur and provide formal documentation to ensure that related financial activity is recorded based on evidentiary matter.

**Response:**

Community Development (CD) staff will be advised that all communications and transaction details should be supplied to the Finance staff in a timely and continuous basis, and should be in writing. Furthermore, CD staff will be advised to involve Finance staff in the development stage of all loan agreements to ensure related documents and accounting entries are made appropriately.

**Finding 08-02 Payroll**

**Comment:**

We noted that a detailed review of payroll prescribed by the City's policy was not performed during much of the year. This resulted from a vacancy in a payroll position, and no supervisory personnel being assigned the review responsibility during the vacancy period. An independent supervisory review was made to assure overall reasonableness of each payroll.

**CITY OF SAN BUENAVENTURA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2008**

**Recommendation:**

We recommend the City establish and document a policy to assess the risk related to vacancies in supervisory staff positions, and reassign control tasks to assure desired controls are maintained over financial activities.

**Response:**

The City will be moving the payroll function to the Finance and Technology Department, to be overseen by the newly created Controller position. Once moved, the City will establish and document a policy to assess the risk related to vacancies in payroll supervision staff positions, and reassign control tasks to assure desired controls are maintained over financial activities.

**Section III - Federal Award Findings and Questioned Costs**

None.

**CITY OF SAN BUENAVENTURA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2008**

- The following finding for fiscal year 2006-07 was corrected as of June 30, 2008:
  - Finding 07-01

